

## **Section II**



# **Situation Analysis: Tourism In Utah**



# Situation Analysis – Utah Tourism

## Overview

The lingering effects of 9/11, heightened geopolitical tensions, and uncertain economic conditions presented a challenging set of circumstances for the travel industry in 2002. Helping to mitigate the negative effects of uncertainty in the marketplace was a successful Olympic Games, which provided much needed growth during the first quarter and improved the state's visibility around the world. The domestic leisure travel segment provided the only source of growth in 2002, as both business travel and international travel suffered declines. Fortunately, the recent addition of Olympic facilities, resort expansions, hotels, and infrastructure improvements have increased the state's tourism capacity and improved its potential for competitive advantage.

## 2002 Summary

**Utah Bucks the National Trend.** Despite many challenges, Utah's travel and tourism sector performed admirably in 2002. Following two years of declines, non-resident tourism arrivals to Utah increased slightly in 2002 to 17.5 million. Domestic travelers accounted for all of the increase, as international visitation fell dramatically for the second straight year. Visitation reports indicated increases in vehicle traffic along Utah's interstates and more visitors at national parks and state operated welcome centers. Hotel occupancies increased to over 62% in 2002, marking the first increase in eight years. Despite falling prices nationally, statewide room rates held steady or increased, indicating strong demand and improved performance in the state's lodging sector. The downturn in air travel continued during 2002, with 2% fewer passengers at the Salt Lake International Airport compared to 2001. Drought-induced difficulties at many state parks prompted a 5% decline in state park visitation during the year. As expected, ski resorts reported a 9% decline in skier days as the Olympics, and the prospect of the Olympics, kept many skiers away.<sup>1</sup>

**Continued Uncertainty.** In 2002, consumers continued retrenching given increasing economic uncertainty related to employment, income growth, and the stock market. Reactions to the terrorist events of September 11<sup>th</sup> prompted further changes in travel behavior. Continued uncertainty with the economy, easily transmitted disease, and with global conflict has entrenched those changes in 2002. The most salient changes in travel behavior include:

- Shorter trips closer to home
- Less air travel and more drive traffic
- Reduced spending
- More interest in making connections – with family, nature, heritage, and culture

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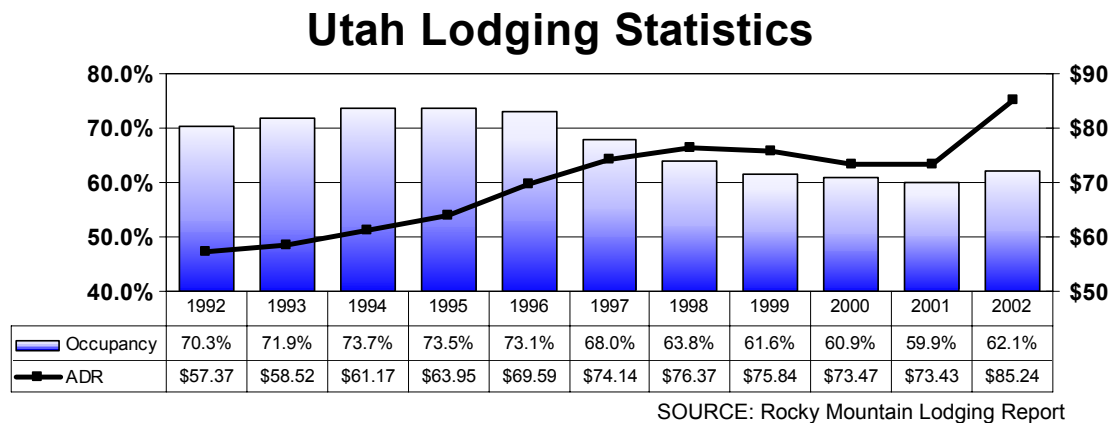
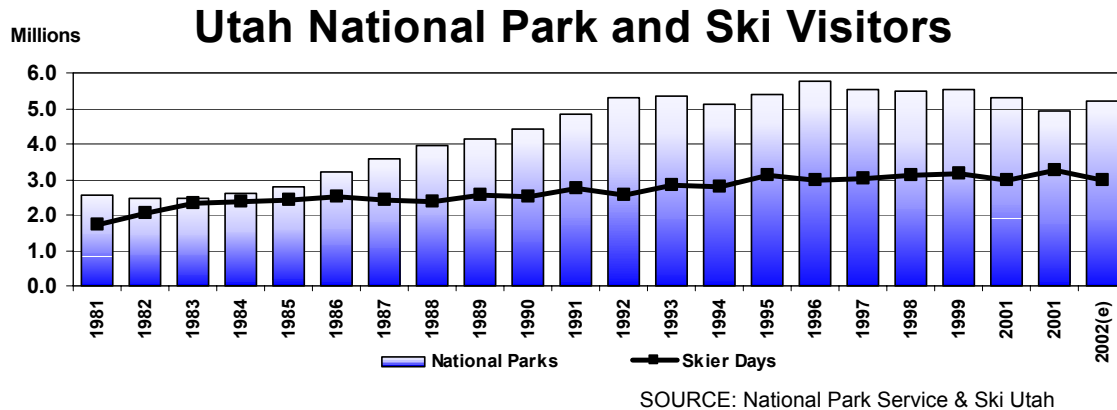
<sup>1</sup> Visitation reports collected from Salt Lake City Department of Airports, National Park Service, Utah Division of Travel Development, Utah Division of State Parks, Utah Department of Transportation, Ski Utah and the Rocky Mountain Lodging Report.

- More interest in outdoor recreation activities and travel to rural America
- Shorter planning and booking horizons

**Spending Steady.** Utah has been well positioned to benefit from many of the changing travel patterns among domestic leisure visitors. Utah's gains among domestic leisure travelers, combined with the effects of the Olympics and a strong convention year, helped offset declines in business and international travel. Total traveler spending remained flat in 2002, at \$4.15 billion. Total state and local taxes generated by travel spending totaled \$332 million in 2002, or \$475 per Utah household. Strong gains in the hotel and restaurant sectors and increases from regional and discount airlines prompted travel-related employment to increase slightly in 2002. Total travel-related employment totaled 130,000 in 2002, accounting for nearly 12% of total Utah non-farm jobs.

<b>SUMMARY OF UTAH TOURISM ACTIVITY - 2002</b>			
<b>Economic Indicators</b>	<b>2002</b>	<b>2001</b>	<b>% Change</b>
<b>Total Non-Resident Visitors</b>	<b>17.5 Million</b>	<b>17.3 Million</b>	<b>+1.2%</b>
U.S. Visitors	17.0 Million	16.7 Million	+1.6%
International Visitors	540,000	600,000	-10.0%
<b>Total Tourism Spending</b>	<b>\$4.15 Billion</b>	<b>\$4.15 Billion</b>	<b>0.0%</b>
Total Tourism-Related Tax Revenues	<b>\$332 Million</b>	<b>\$332 Million</b>	<b>0.0%</b>
State Tax Revenues	\$246 Million	\$246 Million	0.0%
Local Tax Revenues	\$86 Million	\$86 Million	0.0%
<b>Total Tourism-Related Employment</b>	<b>130,000</b>	<b>128,500</b>	<b>+1.2%</b>
Direct Tourism Employment	72,800	72,000	+1.1%
Indirect Tourism Employment	57,200	56,500	+1.2%
<b>Volume Indicators</b>	<b>2002</b>	<b>2001</b>	<b>% Change</b>
Airline Passengers at Salt Lake Int'l. Airport	18.1 Million	18.4 Million	-1.6%
National Park Visitors	5.2 Million	4.9 Million	+5.2%
National Monument & Recreation Area Visitors (ex. GSENM & FGNRA)	3.5 Million	3.9 Million	-10.2%
State Park Visitors	5.8 Million	6.1 Million	-5.3%
Utah Welcome Center Visitors	677,000	660,000	+2.5%
Stateline Interstate Traffic Count	22.9 Million	21.7 Million	+5.7%
Total Skier Visits	3.0 Million	3.3 Million	-9.3%
Statewide Hotel Occupancy Rate	62.1%	59.9%	+2.2%
<b>Interest Indicators</b>	<b>2002</b>	<b>2001</b>	<b>% Change</b>
Utah.com Visitors	4.0 Million	2.7 Million	+48.1%
Total Phone Calls	39,800	46,500	-14.3%
Total Travel Guide Fulfillment	50,300	53,600	-6.1%

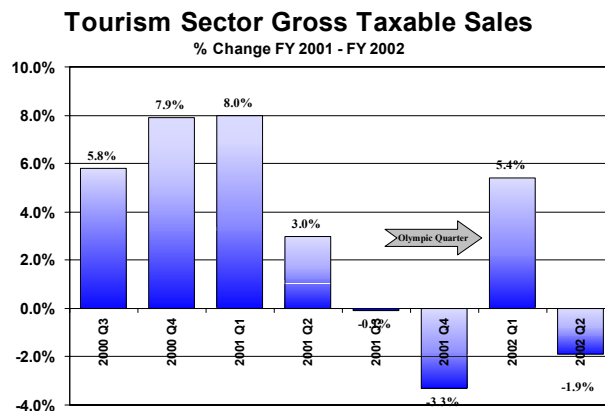
SOURCE: Utah Division of Travel Development, compiled from reporting agencies



## The Impact of the 2002 Olympic Winter Games

**Marketing Success.** According to a recent IOC report, “the 2002 Olympic Winter Games are remembered today as a peaceful and safe gathering amidst turbulent times.”<sup>2</sup> Salt Lake hosted nearly 2,400 athletes from 77 countries through 16 days of competition. More than 220,000 visitors came from around the world to participate in the Olympic experience. Another 2.1 billion viewers from 160 countries consumed over 13 billion viewer hours. When news and other media coverage are considered, approximately 3 billion people were exposed to Utah, Salt Lake City, and the Olympic movement.

**Olympic Catalyst.** The Olympic Winter Games provided a much-needed stimulus to Utah’s tourism industry during the first quarter of 2002. Utah’s tourism sector, like the rest of the country, declined during the last half of 2001, contracting significantly in the last four months of the year. During the third and fourth quarters, taxable sales in Utah’s key



<sup>2</sup> Salt Lake 2002 Marketing Report, IOC, November 2002

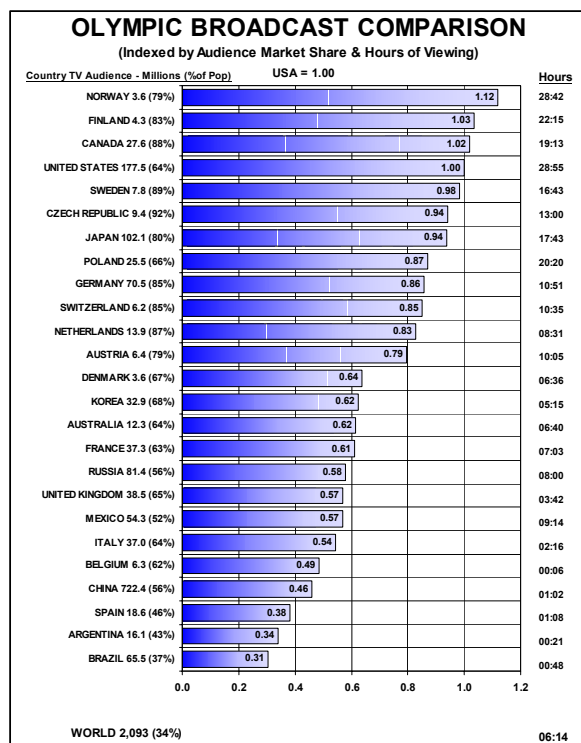
tourism sectors declined 0.3% and 3.3%, respectively. However, during the first quarter of 2002, Utah tourism bucked the national trend by posting an Olympic-induced 5.4% gain. The significant increase helped prevent a decline in traveler spending and produced an increase in tourism-related jobs. Hotel and restaurant spending led the way, offsetting declines in transportation and auto rentals.<sup>3</sup> Statewide hotel occupancies, which had declined for six consecutive months prior to the Games, began increasing in the lead up to the Games and jumped nearly 19% in February. Even after the Games, statewide occupancies remained above 2001 levels.

ECONOMIC INDICATORS	2001 Q3	2001 Q4	2002 Q1	2002 Q2
Transportation	4%	-17%	-25%	-30%
Eating & Drinking	1%	-1%	6%	3%
Auto Rentals	-4%	-1%	-15%	-25%
Hotels & Lodging	-4%	-7%	31%	6%
Amusement & Recreation	1%	-6%	1%	3%
<b>TOTAL TOURISM SECTOR</b>	<b>0%</b>	<b>-3%</b>	<b>5%</b>	<b>-2%</b>
VOLUME INDICATORS	2001 Q3	2001 Q4	2002 Q1	2002 Q4
Airport Passengers	-9%	-8%	-6%	-5%
National Park Visitors	-7%	-9%	30%	12%
National Mon. & Rec. Area Visitors	-5%	0%	-6%	-12%
State Park Visitors	-7%	-8%	42%	-11%
Welcome Center Visitors	-15%	1%	11%	0%
Stateline Interstate Traffic	3%	5%	8%	6%
Statewide Hotel Occupancy Rate	-3%	-2%	4%	2%
Utah.com Website Visits	17%	8%	108%	58%

SOURCE: Utah Division of Travel Development,

The Olympic effect was not limited to the hotel sector. During the first few months of the year, visitation to national and state parks, state line vehicle traffic, and visitors to state operated welcome centers all increased. Partially offsetting these gains were anticipated declines in airport passengers and skier days.

**Olympic Legacy.** Despite the significant gains for the state's tourism industry during the Olympic period, research indicates part of the Olympic legacy may be in increased tourism opportunities in the future. A survey among U.S. residents shortly after the conclusion of the Games identified changes in Utah's domestic image:<sup>4</sup>



SOURCE: International Olympic Committee

- Utah's image improved slightly
- 7.1 million more adults say they are likely to vacation in Utah
- Utah is more recognized today for its scenic beauty, mountains, winter sports, ski resorts, cleanliness, and friendly people
- Utah's high quality workforce is more recognized by executives around the country

<sup>3</sup> Utah State Tax Commission, tourism sectors include: Transportation, Eating & Drinking, Auto Rentals, Hotels & Lodging, Amusement & Recreation

<sup>4</sup> *Measuring the Impact of the Olympic Winter Games on Utah's Image*, Wirthlin Worldwide, Spring 2002

Because of the depth of Games-time exposure, similar image and awareness improvements are expected in key markets in Western Europe, North America, and Asia. Despite the increased visibility of Utah among consumers, three major factors influence the effect of the Olympics on future travelers:

- Increased geopolitical tensions
- Continued economic uncertainty
- Ongoing memory decay (Utah's Olympic memory is expected to last only until the torch is lit for the 2004 Games).

**Improved Awareness.** The *2002 Post-Olympics European Study* explored the dynamics of consumer awareness and image regarding Utah in key international markets. According to the study, top-of-mind awareness for the state did not change between 1999 and 2002. However, when placed within the context of the Olympics, awareness of Salt Lake City and Utah increased significantly. In 1999, 1 in 5 Europeans could correctly identify Salt Lake City as the host of the 2002 Olympic Winter Games. By 2002, correct responses increased to 1 in 3. Awareness for the state also improved between 1999 and 2002, from 1 in 10 in 1999 to 1 in 6 in 2002. Among those consumers who were likely to travel to the American West (the "best customer" prospects), awareness gains were more pronounced, with 1 in 2 correctly identifying Salt Lake City and 1 in 3 mentioning Utah. The LDS Church was the most frequently named image of Utah in both 1999 and 2002, but aspects of Utah's geography, specifically mountains and desert, experienced large increases in the 2002 study.

**Immediate Benefits.** Utah has already enjoyed tremendous gains from the Games. In addition to the immediate economic impact of planning and hosting the Games, Utah citizens will benefit from the legacy of sport facilities, transportation infrastructure, additional hotel capacity, and resort improvements. Added benefits often overlooked are the intangible elements of civic pride, cultural development, and the impact of community outreach programs. In all, hundreds of thousands of Utah residents joined millions worldwide in experiencing the emotion and excitement of the Olympic Winter Games. Through increased tourism and business opportunities, the Olympics will continue to positively impact Utah's economy.<sup>5</sup>

## 2003 Outlook – Cautious Optimism

**Improvement on the Horizon.** There is an unusual amount of uncertainty regarding this year's outlook. Factors such as the economy, consumer confidence, the stock market, shifting travel preferences, and the war with Iraq all cloud the outlook for 2003. Adding further uncertainty is the magnitude and timing of future visitation increases as a result of Olympic exposure. Nonetheless, Utah tourism is expected to increase in 2003. Olympic-induced awareness gains combined with product improvements, improving economic conditions, and regional population increases should stimulate growth in Utah's tourism industry during the next several years.

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<sup>5</sup> For more information on the economic impacts of planning and hosting the Games, consult *2002 Olympic Winter Games: Economic, Demographic & Fiscal Impacts*, GOPB, November 2001

**Competition Intensifying.** Competition among nearby destinations for the local and regional markets will continue to intensify, as marketers re-focus their priorities towards close-to-home markets and quick getaways. With the notable exception of North America and the United Kingdom, foreign visitation will likely remain weak during the year as sluggish economies and unresolved geopolitical tensions continue to act as a deterrent to international travel.

**Long-Term Growth.** Capital investments in ski resorts, Olympic attractions, hotel construction, and infrastructure development bode well for the future. National trends highlight opportunities in key segments of the travel market including family travel, nature-based travel, and cultural and heritage tourism. Utah is well positioned to attract visitors seeking a higher quality, more unique experience. Continued investment in focused marketing and promotion efforts is essential to transforming the attention and image awareness generated by the Olympics into significant and sustainable economic gains.

## **Visitor Make-Up - Who They Are - How They Live**

Utah's most common visitor is a baby boomer family in the middle to upper class from the Western United States. The parents are generally well educated and employed. The purpose of their trip is leisure based, with the largest group visiting friends and family or enjoying a general vacation. Most visitors drive to Utah and stay in a hotel or motel. The summer is the most common time to travel to the state. Visitors typically include a variety of activities during their stay including:

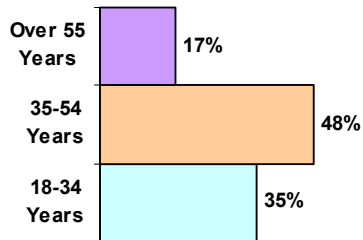
- Participating in outdoor recreation activities
- Exploring the national and state parks
- Touring Utah's vast open spaces
- Visiting historic and culture sites
- Going to specific attractions

As with most travelers nationwide, shopping, dining and entertainment are also important aspects of the trip to Utah. The average visitor to Utah stays over three nights in the state and spends \$75 per day. The following charts provide a summary profile of Utah's overnight leisure travelers.

# 2001 Utah Overnight Leisure Visitor Profile

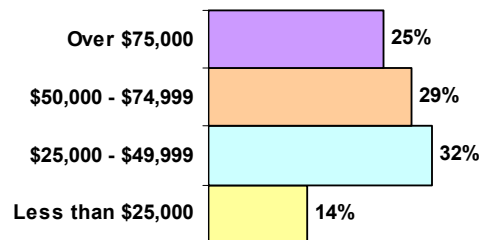
## Age

Avg. Age: 41.7 Years

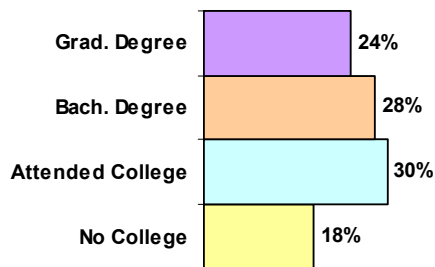


## Household Income

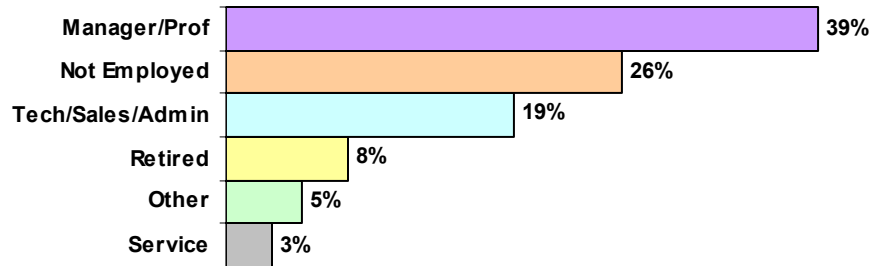
Avg. Household Income: \$57,600



## Education

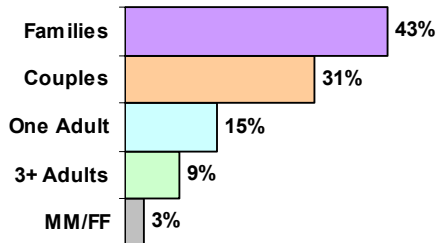


## Employment



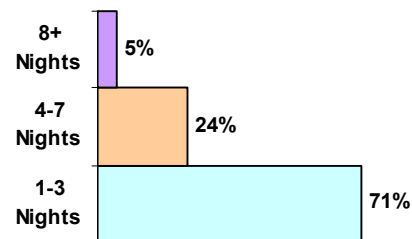
## Party Composition

Avg. Party Size: 3.4 Persons

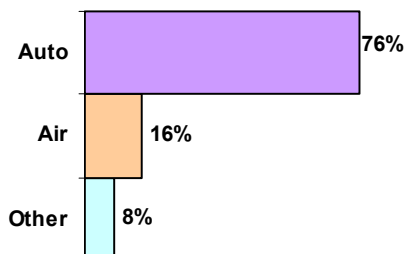


## Length of Stay

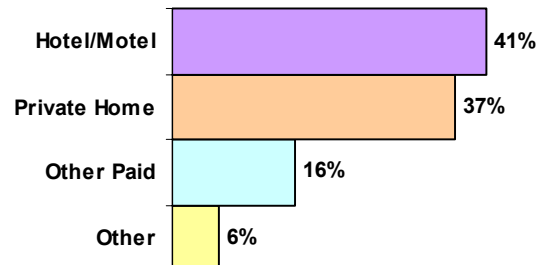
Avg. Length of Stay: 3.1 Nights



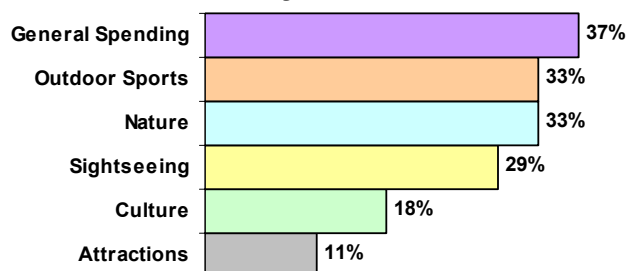
## Transportation



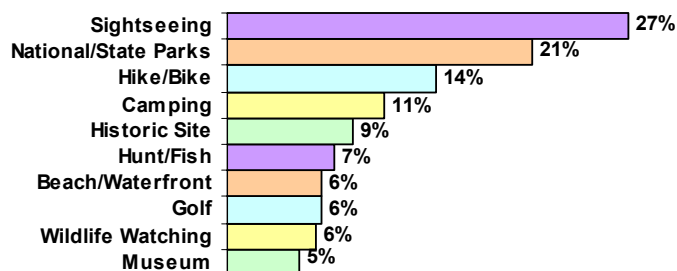
## Accommodations



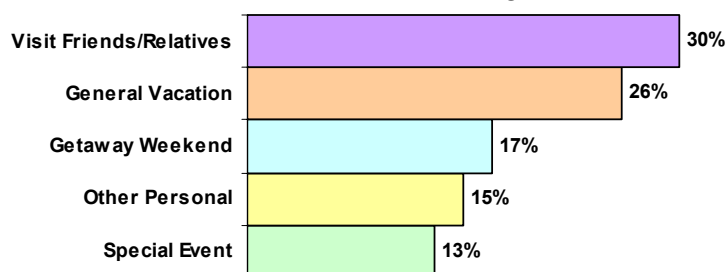
## Activity Clusters



## Top Non-Spending Activities



## Purpose of Stay



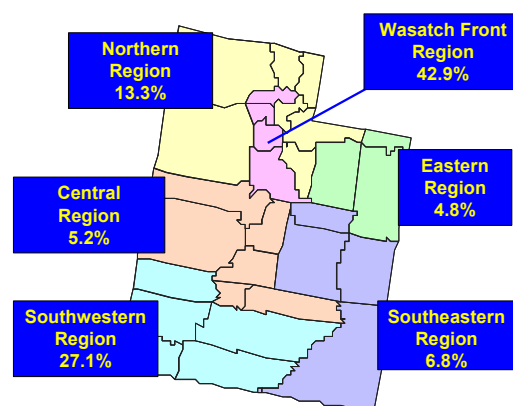
## Distance Traveled

Avg. Distance: 552 Miles

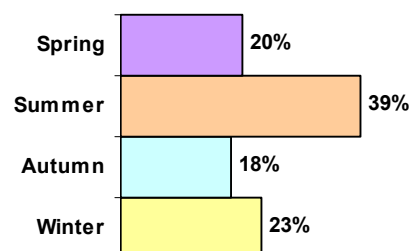


## 2001 Utah Overnight Leisure Regional Travel Distribution

(Person-Trips)

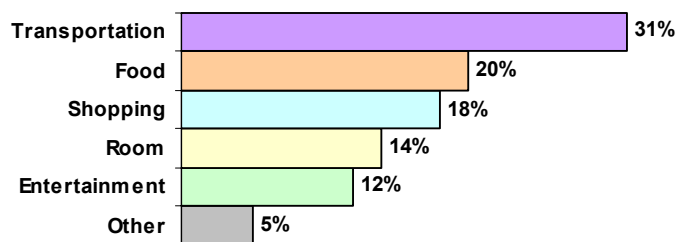


## Season of Travel



## Expenditures

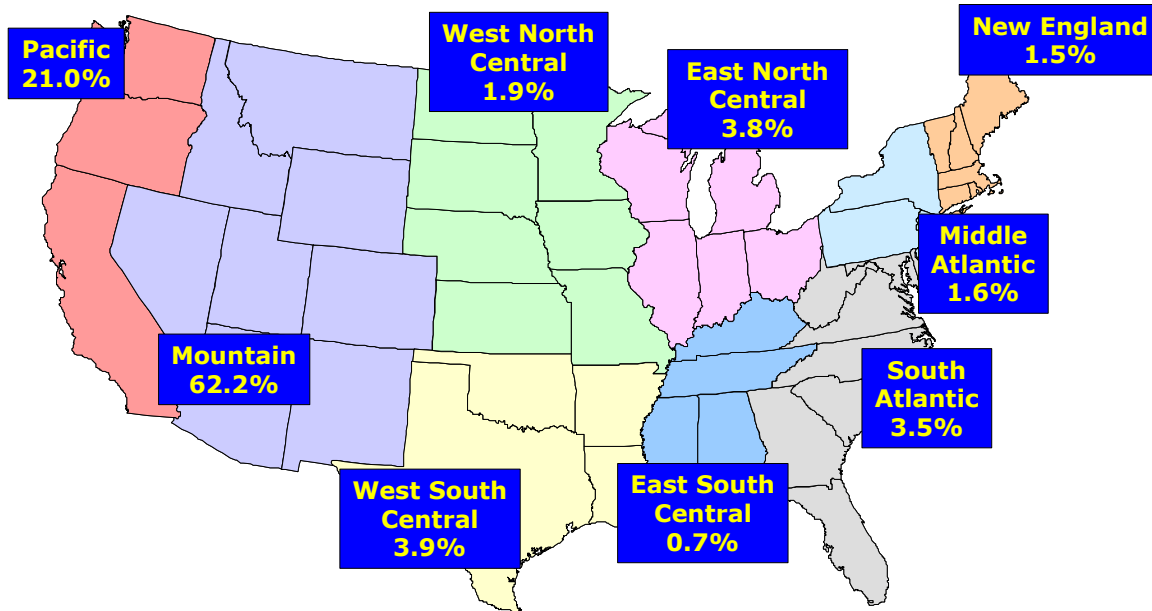
Avg. Spending Per Person Per Day: \$75



SOURCE: 2001 Utah Overnight Leisure Visitor Profile, D.K. Shifflet & Associates, Inc.

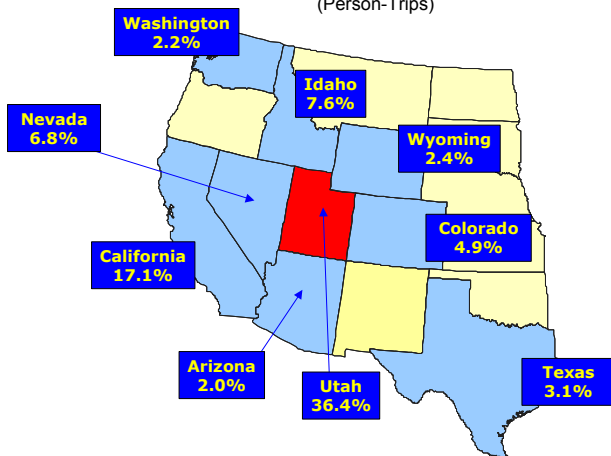
# 2001 Utah Overnight Leisure Origin Regions

(Person-Trips)



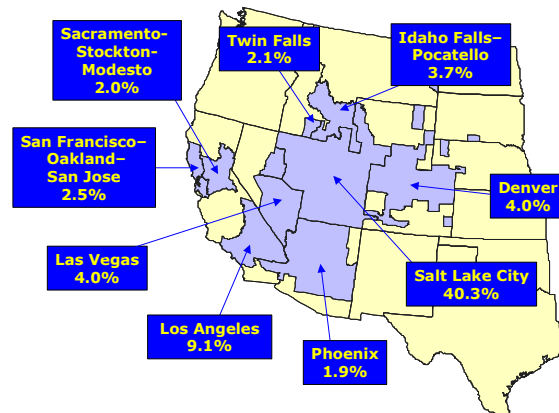
## 2001 Utah Overnight Leisure Origin States

(Person-Trips)



## 2001 Utah Overnight Leisure Origin DMAs

(Person-Trips)

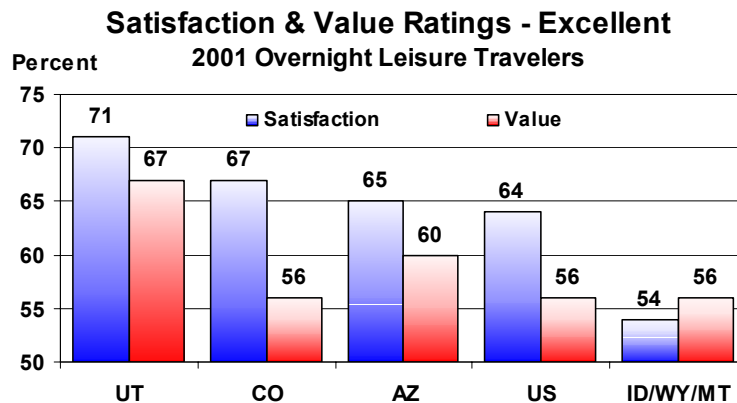


SOURCE: 2001 Utah Overnight Leisure Visitor Profile, D.K. Shifflet & Associates, Inc.

## Why Visitors Choose Utah

Utah's domestic visitor profile reveals several areas in which Utah has an advantage over other Western states. These strengths can be leveraged to promote additional tourism to the state. The most important strengths include:

- Utah maintains a value and satisfaction rating significantly above the U.S. average and above all its major competitors.



SOURCE: 2001 Overnight Leisure Profile, DKSA, Inc.

- Utah had the highest average number of persons (3.4) and the highest share of family travel (30%) on the trip relative to competitors.
- Utah has a strong percentage of marketable leisure travel due to relatively high shares of general vacation (26%) and getaway weekend travel (17%). Utah continues to grow the general vacation segment, reporting a strong 36% new-visitation rate during 2001. Utah posted the largest increase in the "general vacation" travel category relative to its competitors.
- Despite the negative impacts of 9/11 and a lackluster economy on long distance travel Utah gained share of air travel (16%) and increased its share of long distance visitation among travelers originating more than 750 miles away (23%).
- Despite the trend towards shorter vacations, average overnight leisure visitors stayed 7% longer in Utah, increasing the average length of stay to 3.1 nights.
- Utah continues to outperform its competitors in the nature and outdoor recreation activity clusters, with participation levels in these two segments higher than in neighboring states.

Utah's travel profile also indicated some weaknesses relative to its competitors:

- Overnight leisure visitors consistently spend less in Utah than in competing states. Reduced spending is likely the result of lower participation in spending activities such as shopping, dining, and entertainment relative to its competitors.

In addition, although Utah increased its share of high-income visitors, the state still trails both Colorado and Arizona in attracting these groups.

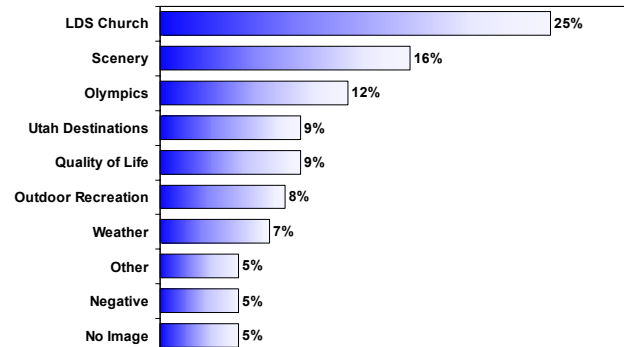
Utah's most significant challenge lies in increasing awareness of the state's tourism product and differentiating its product from that of other states and destinations. Recent surveys of the general public in the U.S. discovered that Utah has a largely undefined image. By contrast, both Colorado and Arizona have more developed images that translate into a more positive "feel" for those states, and consequently, a greater desire to visit those destinations.

Not surprisingly, Utah's most defined image was the LDS Church (Mormons). Utah's scenery, especially the mountains, the Olympics, and specific destinations were also popular responses. A smaller percentage of respondents indicated an emotional image of the state, tied in with the people or the quality of life the state offered. However, the image of the state was largely superficial, with few respondents able to provide either a strongly positive or strongly negative image of the state. A lack of familiarity was also the strongest negative reaction to Utah's image, accounting for nearly 40% of all the negative responses. The Olympics reinforced many of the positive attributes people already associated with the state and helped educate many who had no previous image of the state. Nearly four out of ten people reported learning specific, new, positive things about Utah as a result of the Olympic exposure.

### Top Images Associated with Utah

March 2002

*What is the first thing that comes to mind when you think about Utah?*



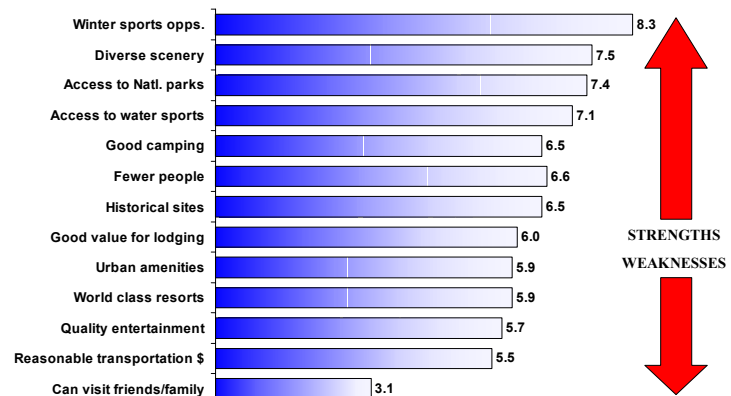
SOURCE: Wirthlin Worldwide

Consumers identified several characteristics about traveling in Utah that reflect comparative advantages for the state's tourism product. Winter sports, national parks, diverse scenery, and water sports (fishing, rafting, boating) are at the top of the list.

Many consumers also favored Utah's camping opportunities, open space, and historical sites. Several attributes were seen as neutral, indicating neither a competitive advantage nor a disadvantage. Neutral attributes included perceived value of lodging and transportation, urban amenities, quality entertainment, and world-class resorts. The only attribute that Utah scored below the national average was in attracting friends

### How Utah's Image fits Selected Travel Attributes (10-point scale)

*Just based on what you currently know about the state, please tell me how well you think each phrase describes Utah.*

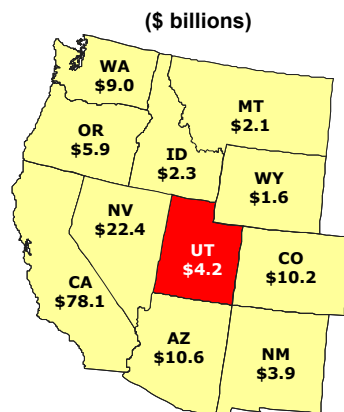


SOURCE: Wirthlin Worldwide

and family, which was not surprising given Utah's relatively small population.

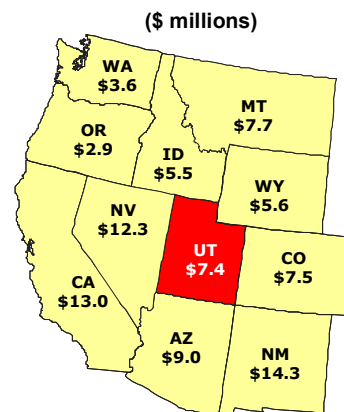
Tourism is an integral component of the regional economy. Nevada and Wyoming are the states most dependent on tourism in the region. However, all of the states in the Western region have sizeable tourism industries that significantly impact the economies of their respective states. Further, with the notable exception of Nevada, most of the region's tourism is similar, especially among the Mountain states. Visiting National Parks and touring comprise the primary activities of visitors in each of the Mountain states. Outdoor recreation also attracts large numbers of visitors to the region. Denver and Phoenix are the region's primary business hubs, although most of the region's leisure travel revolves around Las Vegas. For the majority of Mountain states, inter-regional travel represents their primary markets. In addition, most of the states actively compete for leisure travelers in the California and Texas markets.

### Total Traveler Spending 2000



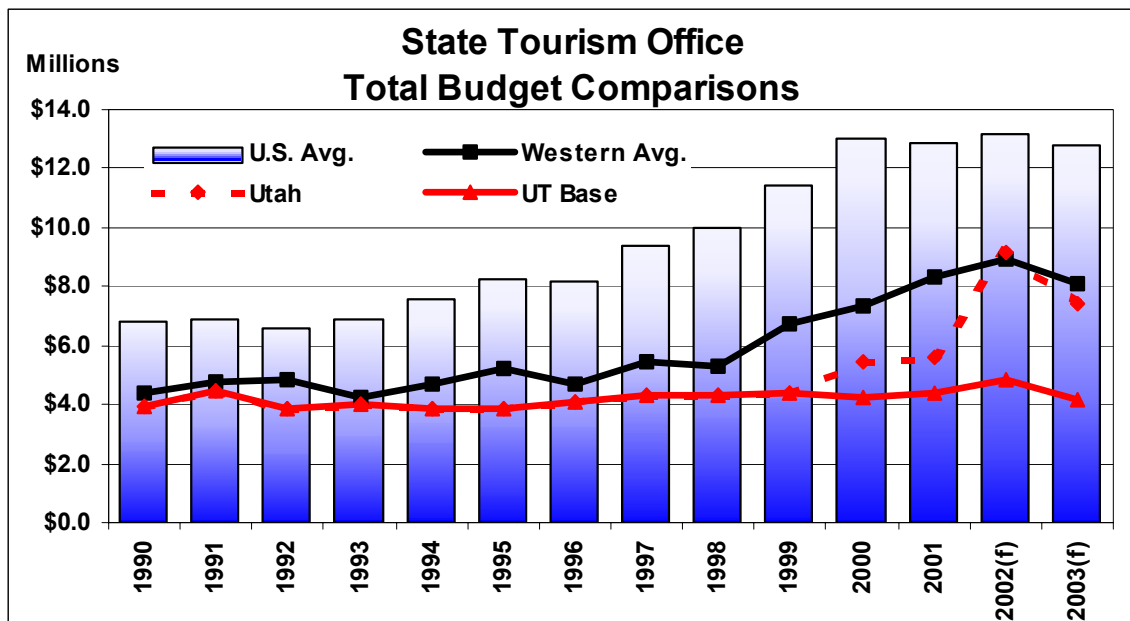
SOURCE: TIA, *Impact of Travel on State Economies*, 2002

### Total State Tourism Office Budget FY 2003 (projected)



SOURCE: TIA, *Survey of U.S. State Tourism Offices*, 2002

Historically, the state tourism offices of most of Utah's neighbors have operated with larger budgets. The average Western state tourism office budget for FY 2003 is \$8.1 million, compared to the national average of \$12.8 million. During FY 2003, Utah's projected state tourism office budget ranks seventh of the eleven Western states. However, Utah's ranking is somewhat misleading because of \$3.2 million in one-time funding. Utah's base state tourism office budget is \$4.2 million, ranking the state ninth of the eleven Western states. Despite a series of recent one-time legislative appropriations that have closed the gap between Utah and other Western states, Utah's base state tourism office budget remains half the Western state average and one third of the national average.



SOURCE: TIA, *Survey of U.S. State Tourism Offices*, 2002

## **Travel and Consumer Trends**

**Empowerment and Connections.** The changes in the consumer psyche – fueled by the economic prosperity of last decade – have not retreated despite a still-faltering economy. Consumers now expect options, discounts, and control. Events of the past year have caused consumers to reevaluate their lives and realign their choices to reflect what matters most. Authenticity and substance are paramount. To be effective, marketers must present a message that emotionally resonates with consumers. So the key question is, what matters most?

- 1. Family comes first.** A trend underway for much of the past several years, the move to reconnect with family and build stronger relationships was accelerated after September 11<sup>th</sup>.

### **IMPLICATIONS**

- More travel to visit friends and relatives
- More travel to family-friendly destinations such as national parks, theme parks, historic sites, beaches, and mountains
- More road trips and less flying
- More “hot deals” and competitive pricing
- More single-parent and multi-generation family vacations
- Destinations must offer a variety of activities

- 2. True leisure restored.** After several years of increasing demands on time and availability, expect today's travelers to place a higher value on relaxation and rejuvenation.

#### **IMPLICATIONS**

- More attention to service levels and choices of amenities
- Travelers will increasingly look to reconnect with nature, culture, and history
- More short trips and weekend getaways to close-to-home destinations
- Increase in off-season travel
- Adventure travel will continue to thrive
- Spa resorts and cruise ships are likely to become more popular
- RVs will increase in popularity

- 3. Service. Service. Service.** Knowledgeable service is increasingly valuable. Given increasing price parity among product options, service becomes the differentiator.

#### **IMPLICATIONS**

- A consumer-driven movement towards customization, especially in bundling of services and flexibility of itineraries
- Greater attention on niche markets
- Increased use of Internet for travel planning and booking
- Greater price competition means value added services will be key
- More attention on convenience of travel experience

- 4. Truth in advertising.** There is evidence of growing skepticism regarding information sources. Hype, glitz, and false claims engender mistrust of many mediums. Consumers want "real."

#### **IMPLICATIONS**

- Niche markets such as eco-tourism, heritage tourism, and geo-tourism become more mainstream
- Increased interest in destination uniqueness: local foods, distinctive lodging, specialty shopping, special events, cultural attractions
- More reliance on personal experience and recommendations of friends and relatives

- 5. Balance.** The disconnect between the lifestyle consumers say they want and the reality they live has spurred a movement toward greater introspection and life changes.

#### **IMPLICATIONS**

- Mature market will begin to grow rapidly as baby boomers reshape their professional and leisure pursuits
- Younger generations view travel as a birthright and will look to leisure time to provide their families with truly relevant experiences

- Demographics will drive destination growth strategies: focus on aging travelers, minority travelers, and women
- Greater emphasis on personal spirituality including history, culture and heritage
- More attention on experiences that offer a combination of physical and spiritual renewal